

**MINUTES**

**California Industrial Development  
Financing Advisory Commission  
915 Capitol Mall, Room 587  
Sacramento, California  
July 26, 2011**

**1. CALL TO ORDER & ROLL CALL**

Rohimah Moly, Acting Chair, called the California Industrial Development Financing Advisory Commission (CIDFAC) meeting to order at 11:05 a.m.

Members Present: Rohimah Moly for Bill Lockyer, State Treasurer  
Dave O'Toole for John Chiang, State Controller  
Pedro Reyes for Ana J. Matosantos, Department of Finance  
Preston Dufauchard, California Corporations Commissioner,  
Department of Corporations  
Stanton Hazelroth for Traci Stevens, Agency Secretary, Business,  
Transportation and Housing Agency

Staff Present: Eileen Marxen, Executive Director

Quorum: The Acting Chair declared a quorum

**2. APPROVAL OF APRIL 26, 2011 MEETING MINUTES**

Ms. Moly asked if there were any questions or comments concerning the April 26, 2011 meeting minutes. There were none.

Ms. Moly asked if there was a motion to approve the minutes.

Mr. Reyes moved approval of the minutes. Upon a second, the minutes were approved by the following vote: Rohimah Moly, aye; Pedro Reyes, aye; Preston Dufauchard, aye; Stanton Hazelroth, aye; and, Dave O'Toole, abstain.

**3. EXECUTIVE DIRECTOR'S REPORT**

Ms. Marxen began her report with an update on Assembly Bill 894, the California Manufacturing Competitiveness Act of 2011 (V. Manuel Perez), which is a resurrected version of Assembly Bill 2437 that was passed by the Legislature in 2010 but vetoed by Governor Schwarzenegger. AB 894 would allow CIDFAC to conduct a loan program for manufacturers either directly or through participant financial institutions using federal or other funds but under no circumstances using state general funds. The State would have no obligation with respect to any loans made under this program.

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She continued to report that AB 894 is broadly worded since there is no source of funding currently identified that would dictate certain requirements or program features. It is assumed that if the bill passes, and if funds become available, the details of any program will be worked out through the regulatory process. She said that AB 894 is scheduled to be heard by Senate Appropriations Committee on August 15, 2011, and that an analysis has shown the bill would have an initial fiscal impact of \$200K-\$211K, largely for staffing, and the same amount in annual costs that would have to be covered by fees.

Ms. Marxen then reported that the Counsel for Development Finance Agencies (CDFA), the national organization for economic development practitioners, has some serious concerns that Congress may be persuaded to eliminate tax-exempt bonds, especially tax-exempt Private Activity Bonds (PABs), in favor of tax-credit bonds. CDFA staff and some members are concerned that the elimination of all tax-exempt municipal bonds, or at least the elimination of tax-exempt PABs, will be part of any future discussions regarding tax reform. In response, CDFA is going to develop a report focusing the uses of tax-exempt municipal bonds and PABs and the economic benefits of these programs. The report will be available in November.

Ms. Marxen continued to report that she has been involved in reaching out to the Small Business Administration (SBA) to settle a question among some in the PAB community regarding the ability to combine Letter of Credit (LOC)-backed Industrial Development Bonds (IDBs) with the SBA 504 loan program. The idea is, for example, instead of a bank making an outright loan for 65% of the project and the SBA making a 30% subordinate 504 loan, the bank would issue a LOC to support an IDB for 65% of the cost of a manufacturing project and the SBA would make a 504 subordinate loan for 30% of the project cost. She stated that many IDB practitioners believe that combining the two programs would encourage banks to extend LOCs for manufacturing projects as their Loan-to-Value (LTV) risk is much less than if it had to enhance the entire project value and as the SBA loan is subordinated to the LOC. Also, since this structure could cover up to 90% of project costs, the amount that the manufacturer would have to commit out of its equity or company funds to the project would be less than if there was only the LOC. Ms. Marxen reported that recent efforts resulted in a conference call between CIDFAC staff, I-Bank staff, General Counsel from the SBA San Francisco field office, and the Chief, 504 Program Branch, Office of Financial Assistance in Washington D.C., which focused on material regarding the IDB program and the structure of the proposed combined program. She said the crux of the discussion now seems to be centering on the fact that SBA regulations prohibit the subordination of 504 loans to tax-exempt loans. The position CIDFAC has put forth is that the 504 loans would be subordinated to the bank's LOC but not to the tax-exempt IDB proceeds that would be loaned by the issuer to the borrower. Staff will continue to pursue this matter with the SBA in the hope that such a combination, if allowed, would provide an additional path for accessing low-cost funding by California's manufacturers.

Mr. Dufauchard asked what CDFA's position is in regard to conduit financing. He questioned if CDFA was in a compromise position with respect to limiting conduit financing or if CDFA had taken an all or nothing approach as a strategy for maintaining tax-exempt municipal bonds.

Ms. Marxen responded that, in CDFA discussions with various organizations regarding tax reform, the possibility that PABs would be sacrificed in order to retain tax exempt municipal government bonds has been raised. From her perspective as a CDFA member, CDFA supports continuing both the tax exempt municipal bonds for government projects as well as PABs.

#### **4. BUSINESS ITEMS**

##### **A. REQUEST FOR TAX-EXEMPT (TE) INDUSTRIAL DEVELOPMENT BOND ALLOCATION**

- 1) Sammie Rae Abitbol, LLC, Bay Photo Inc. (User: Bay Photo Inc. dba Bay Photo Lab)

Presented by: Deanna Hamelin, Analyst

Staff introduced Larry Abitbol, Bay Photo, Inc., Dan Bronfman, Growth Capital Associates, and Paula Connors, CIEDB

The Issuer, I-Bank, on behalf of the Borrower Sammie Rae Abitbol, LLC and Bay Photo, Inc. requests approval of tax-exempt IDB Allocation for an amount not to exceed \$8.775 million in tax-exempt bond financing.

Bay Photo, Inc dba Bay Photo Lab. is a photographic printing and finishing laboratory that also uses customer photographs to create a variety of different products. It also manufactures the products into which the photos are integrated. Bond proceeds will be used to finance the purchase of land, the acquisition and rehabilitation of existing buildings, and for the purchase and installation of new equipment.

The Project received a total of 73 points out of 147 possible. The Company anticipates hiring an additional 78 employees within two years of project completion.

Staff recommended approval of IDB allocation for an amount equal to \$8.775 million for the Issuer for the Bay Photo, Inc project.

Ms. Moly asked if there were any questions or comments from the Board.

Mr. Dufauchard noted that the total project cost exceeds the amount of bond allocation requested. He asked how the company plans to finance the difference. He also asked if the project would employ a chemical photo process or a digital photo process.

Mr. Abitbol responded that the project would employ a mix of both as some of the chemicals used are standard photographic chemicals where those processes are still

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active but the newer processes are digital.

Mr. Dufauchard asked if any portion of the project would be used for environmental containment of chemicals used in the photographic process

Mr. Abitbol replied that part of the project would be used for that purpose, and he added that the company has been handling the containment of chemicals for 30-40 years.

Mr. Reyes noted that the project received five points because it is located in the Scotts Valley redevelopment project area. He said he would like ABx 1 26 and 27 to be considered because, if successful, some of the redevelopment areas will likely disappear. Mr. Reyes stated that, under such circumstances, he is not sure that location in a redevelopment area will be a good proxy for economic need.

Ms. Moly asked if there were any further comments from the Board or the public. There were none.

Ms. Moly asked if there was a motion.

Mr. Reyes moved approval of the item. Upon a second, the item was unanimously approved.

### **5. PUBLIC COMMENT**

Ms. Moly asked if there were any comments from the public.

Mr. Bronfman thanked the staff from I-Bank and CIDFAC for their work on the Bay Photo project. He also thanked Ms. Marxen for speaking with the SBA about a possible program for financing manufacturing projects with both LOC-backed IDBs and SBA 504 loans.

### **6. ADJOURNMENT**

There being no further business, public comments, or concerns, the meeting adjourned at 11:17 a.m.

**Respectfully submitted,**

Eileen Marxen  
Executive Director